



## PSPRS DROP Extension Fact Sheet/Process

The Deferred Retirement Option Plan (DROP) is a voluntary and irrevocable benefit program that offers eligible participants in the Arizona Public Safety Personnel Retirement System (PSPRS) the opportunity to receive a one-time lump sum payment, at the time of their retirement, in addition to their monthly retirement benefit. The process to enter into DROP is that at the time the employee elects to participate, their monthly retirement benefit is calculated based on the salary and service at the time of their participation and then that monthly amount is deferred each month while they continue to work with their employer up to a maximum of sixty (60) months. Then, either before or at 60 months, the employee **must** terminate their employment with their employer and officially retire, thus receiving the employee's previously calculated accumulated DROP retirement payments, plus statutory interest, and they would also begin to receive their monthly retirement benefit payments.

On July 6, 2022, Arizona Governor Doug Ducey signed SB1268 which modified the DROP. The bill contained an emergency provision and, therefore, became effective upon the Governor's signature. The new law permits an employer to decide whether or not to honor an eligible plan participant's decision to extend their DROP period for an additional twenty-four (24) months beyond the original 60-month statutory period, or up to a total of eighty-four (84) months.

The City Manager has authorized those who are scheduled to exit DROP by **July 31, 2023** to extend their period of employment up to the new statutory limit. Going forward, this will be presented to the City Council as part of their statutorily required pension funding policy adoption. Based on needs of the City, DROP extensions may be approved for the next fiscal year at that time.

Below is the initial process Retirement will follow while we work to get this process automated over the next several months.

- Retirement staff will reach out to members based on the month they are scheduled to exit DROP. Approximately 90 days before the exit DROP date, employees will be asked to individually make a decision to extend or not.
- Employees that contact Retirement more than 90 days before their exit DROP date will be asked to follow-up within the 90-day window.
- If the member chooses not to extend their period of DROP, they will exit employment as normal at or before their 60-month mark.
- If the member opts to extend their period of DROP, they must complete the DROP Extension Form.
- If the member chooses to extend, Retirement will send notice to the department, payroll staff, and HR. Retirement will use the same distribution list to notify departments when an employee retires or enters DROP.
- Every effort will be made to send notices to employees well in advance of their initial exit DROP date. If any employee delays their response, this will delay notice being sent to all affected parties. Please be patient.
- Retirement will send notices to the PSPRS for them to update their information as the system of record.

DROP Information Session for Employees

Friday, July 22<sup>nd</sup> – 2:00 p.m.

<https://cityofphoenix.webex.com/cityofphoenix/j.php?MTID=m18a10a8a73bf2cb1fb1c0607e8a7ef94>

Monday, August 1<sup>st</sup> – 8:00 a.m.

<https://cityofphoenix.webex.com/cityofphoenix/j.php?MTID=mbb6d2bef1ce4d102473756fbd02cd7a2>

Tuesday, August 9<sup>th</sup> – 3:00 p.m.

<https://cityofphoenix.webex.com/cityofphoenix/j.php?MTID=m595cb57917af84afa334af20dc7dd086>